

PS 8060.04 FACTORY GAINSHARING AWARD, FPI



Program Statement

OPI: FPI
NUMBER: 8060.04
DATE: 7/25/2002
SUBJECT: Factory Gainsharing
Award, FPI

1. **PURPOSE AND SCOPE.** To establish a gainsharing award plan that rewards each factory's performance based on measurable standards. Federal Prison Industries (FPI) staff and inmate workers are eligible for awards under this program.

Participation in the Gainsharing Award can be achieved by meeting or exceeding specific performance objectives established annually through the Memorandum of Understanding (MOU) process and certain criteria identified in this Program Statement.

- Actual factory performance is compared monthly to specific objectives to determine which factories are eligible for monthly award credits.
- For each month a factory meets all their specific criteria, it will earn a one-twelfth credit towards award distribution at the end of the year.
- The Corporate Award Pool is predicated upon the Corporation exceeding planned earnings goals for the year specified in the annual operating plan.

2. SUMMARY OF CHANGES

a. Each Business Group must meet or exceed the requirements of four separate criteria. For all Business Groups, the first criteria will be **Group Earnings**. Each Business Group must meet or exceed its overall earnings goal as established by the annual MOU in order to qualify for credit in any given month.

All factories within each Business Group will either be included, or excluded, for further monthly credit consideration based upon reaching the earnings goal.

5. **STANDARDS REFERENCED.** None

6. DEFINITIONS

a. **Earnings.** Corporate net earnings are defined as corporate net income for the fiscal year, adjusted for any significant prior or future year changes to income.

The Chief Financial Officer (CFO) will estimate earnings for the fiscal year if the audit of the financial statements has not been completed when the award is made. Estimated earnings will be derived from the unaudited statements, and must include any adjustments based upon the CFO's reasonable expectations of changes to the statements resulting from the audit.

Business Group earnings are defined as net income derived from each Business Group. The Financial Management Branch (FMB) will compute Business Group earnings based on data contained in **Millennium** and will include the operating results of factory operations, selling, administrative, and general expenses directly attributed to each Business Group.

b. **Operating Objective.** Operating objectives are those objectives a factory must meet to qualify for the Factory Gainsharing Award. The operating objectives are established by the factory's most recent MOU and by this Program Statement.

c. **Corporate Award Pool.** The corporate award pool is the total award money to be divided among all eligible factories.

The amount in this pool will equal 10% of earnings (as defined in Section 6.a.) for the year in excess of the corporate net earnings goal for the year as indicated in the annual operating plan.

- **Eighty percent of the pool is designated for staff and 20 percent is designated for inmates.**

d. **Share.** A share is a unit of measure used to determine the amount of the corporate award pool to be distributed to eligible factories. Each Business Group and factory will be evaluated monthly to determine if it met the criteria to be included in the award pool.

- For each month a factory is determined to have met all its criteria, that factory will earn a credit equal to one-twelfth share.

Shares are awarded based upon the number of authorized staff and MOU level of inmates in a factory and the number of qualifying months earned by meeting all three criteria that apply to the factory.

e. **FPI National Gainsharing Award Committee.** This Committee meets annually to determine eligibility and award amounts to be distributed to factories.

f. **Local Distribution Committee.** This institution committee distributes the Factory Gainsharing Award within this Program Statement's guidelines.

7. **AWARD PARTICIPATION.** To participate in Gainsharing, a factory must have an approved MOU that supports the current year Operating Plan and that has been signed by the AW/SOI and the responsible General Manager.

- A factory can earn share credits by meeting the monthly criteria as established by this Program Statement relative to the specific Business Group.

a. **Determining the Corporate Award Pool.** The FMB must calculate the corporate award pool by multiplying by 10 percent the difference between the earnings (as defined in Section 6.a.) for the year and the corporate net income goal as indicated in the annual operating plan. The staff award pool equals 80 percent and the inmate award pool equals 20 percent of the corporate award pool.

Example:	Actual Net Income	\$16,500,000
	Planned Net Income Goal	<u>12,700,000</u>
	Earnings over Plan	3,800,000
		<u>x 10%</u>
	Corporate Award Pool	380,000

Staff Award Pool: \$380,000 x 80% = \$304,000

Inmate Award Pool: \$380,000 x 20% = \$76,000

- Regardless of any further adjustments to earnings, the corporate award pool calculation is to be considered final once the qualifying factories have been notified of the individual award amounts.
- If corporate earnings do not exceed the net income objective, there will not be a corporate award pool and no gainsharing award will be distributed.

- Once calculated and distributed to the factory, an award amount may not be changed.

Example: There are two factories at a location. Factory A will participate and has 15 staff and 168 inmates who work in the factory. This factory absorbs 70 percent of support expenses at the location per the annual Distribution of Manufacturing General Expense. There are nine staff and 28 inmate support positions. The total shares for Factory A would be:

Factory Staff	15	
Support Staff (9 x 70%)	<u>6.3</u>	
	21.3	staff shares
Factory Inmates	168	
Support Inmates (28 x 70%)	<u>19.6</u>	
	187.6	inmate shares

b. **Business Group Criteria.** Each Business Group has established three specific performance objectives to be evaluated monthly for credit towards end-of-the-year award participation.

- **All three** of these criteria must be met in order to obtain credit towards award distribution.

(1) **Clothing and Textiles Business Group**

(a) **Customer Satisfaction** measured as follows:

- P For those factories with DSCP contracts, zero delinquencies based on customer reports.
- P For mail bag repair factories, customer complaints as determined by the Clothing and Textiles Business Group.
- P For the non-DSCP and non-mail bag repair factories, based upon on-time delivery performance of actual lines on-time compared to a target of 10 percentage points greater than the Group's average lines on-time from the previous year not to exceed the corporate goal of 99%.

(b) **Monthly Overhead.** Actual total overhead expense, expressed as a percentage of invoiced shipments, compared to the total MOU budgeted overhead expense, expressed as a percentage of budgeted invoiced shipments.

(c) **Monthly Inventory Value.** Actual inventories at the end of each month expressed as a percent of actual sales for the month compared to planned inventories as a percent of planned sales.

(2) **Electronics Business Group**

(a) **Monthly On-time Delivery.** Actual lines on-time compared to a target of 10 percentage points greater than the Group's average lines on-time from the previous year not to exceed the corporate goal of 99%.

(b) **Monthly Overhead.** Actual total overhead expense, in dollars, compared to the total overhead budget established in the annual MOU.

(c) **Monthly Inventory Turns.** Actual inventory turns compared to the rate established in the annual MOU.

(3) **Fleet Management and Vehicular Business Group**

(a) **Monthly On-time Delivery.** Actual lines on-time compared to a target of 10 percentage points greater than the Group's average lines on-time from the previous year not to exceed the corporate goal of 99%.

(b) **Monthly Overhead.** Actual total overhead expense, in dollars, compared to the total overhead budget established in the annual MOU.

(c) **Monthly Inventory Turns.** Actual inventory turns compared to the rate established in the annual MOU.

(4) **Graphics Business Group**

(a) **Monthly On-time Delivery.** Actual lines on-time compared to a target of 10 percentage points greater than the Group's average lines on-time from the previous year not to exceed the corporate goal of 99%.

(b) **Monthly Overhead.** Actual total overhead expense, in dollars, compared to the total overhead budget established in the annual MOU.

(c) **Monthly Inventory Turns.** Actual inventory turns compared to the rate established in the annual MOU.

(5) **Industrial Products Business Group**

(a) **Monthly On-time Delivery.** Actual lines on-time compared to a target of 10 percentage points greater than the Group's average lines on-time from the previous year not to exceed the corporate goal of 99%.

(b) **Monthly Overhead.** Actual total overhead expense, expressed as a percentage of invoiced shipments, compared to the total MOU budgeted overhead expense, expressed as a percentage of budgeted invoiced shipments.

(c) **Monthly Inventory Turns.** Actual inventory turns compared to the rate established in the annual MOU.

(6) **Office Furniture Business Group**

(a) **Monthly On-time Delivery.** Actual lines on-time compared to a target of 10 percentage points greater than the Group's average lines on-time from the previous year not to exceed the corporate goal of 99%.

(b) **Monthly Overhead.** Actual total overhead expense, expressed as a percentage of invoiced shipments, compared to the total MOU budgeted overhead expense, expressed as a percentage of budgeted invoiced shipments.

(c) **Monthly Inventory Turns.** Actual inventory turns compared to the rate established in the annual MOU.

(7) **Recycled Electronic Products and Services Business Group**

(a) **Monthly Overhead.** Actual total overhead expense, in dollars, compared to the total overhead budget established in the annual MOU.

(b) **Factory Earnings.** Each factory must meet its earnings projection, in dollars, as established by the annual MOU.

(c) **Product Flow.** Gross weight (in pounds) of incoming product to be recycled at each location each month. For each inmate employed, the factory must process a minimum of 2,700 pounds of electronic product per month.

(8) **Services Business Group**

(a) **ADP and Laundries**

(1) **Invoiced Shipments.** Actual monthly invoiced shipments compared to the monthly invoiced shipment target established in the annual MOU.

(2) **Monthly Overhead.** Actual total overhead expense, in dollars, compared to the total overhead budget established in the annual MOU.

(3) **Monthly On-time Delivery.** Actual lines on-time compared to the Corporate standard of 99% lines on-time.

(b) **Distribution Center**

(1) **Monthly On-time Delivery.** Actual lines on-time compared to a target of 10 percentage points greater than the Group's average lines on-time from the previous year not to exceed the corporate goal of 99%.

(2) **Monthly Overhead.** Actual total overhead expense, in dollars, compared to the total overhead budget established in the annual MOU.

(3) **Monthly Inventory Turns.** Actual inventory turns compared to the rate established in the annual MOU.

c. **Determining Share Value and Factory Award Total.** The value per share is determined by the sum of qualifying months times the number of qualifying staff/inmates as computed each month.

- The total factory award is the sum of all qualifying staff/inmates for the months a given factory qualified for participation.

FMB will take the following steps to compute each factory's total award:

- (1) Compute the award pools for staff and inmates.
- (2) Determine the Business Groups that have met earnings goals.

- (3) Compute share value of staff and inmates by dividing the specific award pool by the sum of the number of qualifying months times the number of staff or inmates for the qualifying months.
- (4) Add the number of shares for each factory for each pool.

Example of Staff Pool Computation

Step 3

Factory	Qualifying Months	Staffing	Total Staff Shares
A	7	11.00	77.00
B	3	25.75	77.25
C	11	18.50	203.50
D	12	10.00	120.00
E	2	15.00	30.00
F	7	17.25	120.75
G	4	27.25	109.00
H	7	29.50	206.50
I	10	18.25	182.50
J	5	7.00	35.00
K	5	15.25	76.25
L	1	20.00	20.00
M	8	11.50	92.00
N	3	18.75	56.25
O	5	11.75	58.75
P	11	26.50	<u>291.50</u>
Total Staff shares			1,756.25

Compute Staff share value.

Staff Award Pool \$304,000 divided by 1,756.25 equals \$173.10 per share.

Compute Factory staff share.

Multiply Factory Total staff shares by \$173.10

Factory	Total Staff Shares	Factory Total
A	77.00	\$ 13,328.70
B	77.25	13,371.98
C	203.50	35,225.85
D	120.00	20,772.00
E	30.00	5,193.00
F	120.75	20,901.83

G	109.00	18,867.90
H	206.50	35,745.15
I	182.50	31,590.75
J	35.00	6,058.50
K	76.25	13,198.88
L	20.00	3,462.00
M	92.00	15,925.20
N	56.25	9,736.88
O	58.75	10,169.63
P	291.50	<u>50,458.65</u>

Step 4 Total Staff Awards \$304,006.90

8. **FPI NATIONAL GAINSHARING AWARD COMMITTEE.** The Assistant Director, Industries, Education and Vocational Training (IE&VT), is to appoint a committee consisting of representatives from:

- Business Group General Managers (2),
- Financial Management,
- FPI Human Resource Management, and
- the Union, as selected by the President of the Council of Prison Locals.

The Committee must review all factories' performance and make award recommendations to the Assistant Director, IE&VT, based upon the operating objectives outlined in this Program Statement.

a. By October 31, each Business Group will provide FMB a report of the share credits for each factory, including the number of staff and inmates for each qualifying month, earned by each factory for the previous fiscal year.

By November 30, FMB will provide the Committee with a preliminary list and estimate for each factory's award.

b. The Committee will consider appeals from factories that did not qualify in any specific month, provided that the appropriate General Manager has previously reviewed and approved the request.

The General Manager must receive all appeals within 30 days of the period within question.

c. When the review process is completed the Committee must submit its recommendations to the Assistant Director, IE&VT, for approval.

9. **LOCAL DISTRIBUTION COMMITTEE.** After the Assistant Director, IE&VT, notifies the factory of the award, the Warden must appoint a Local Distribution Committee to develop a plan to distribute the award.

The committee is to consist of:

- Associate Warden (Industries & Education)/Superintendent of Industries,
- Factory Manager,
- FPI Business Manager,
- Union Representative (as designated by the local union president), and
- Human Resource Manager.

The distribution plan is to be developed using the following parameters:

a. Cash awards must be distributed equitably among all FPI staff in that operation including support staff.

- Award amounts for support staff at multiple factory locations are to be based upon the factory's annual Distribution of Manufacturing General Expense memorandum.

b. Staff cash incentives awards may not exceed **\$2,000 per employee.**

- Cash incentives may not be distributed based upon grade level, position, or seniority.

c. Awards must be prorated for staff who have transferred in and out or retired during the year.

d. The inmate portion of the award may take the form of cash awards to the individual inmates, purchases of items for the benefit of all FPI inmates, or some combination of the two.

- Purchases of items for inmates must be consistent with the Program Statement on Inmate Personal Property.
- Distribution of inmate cash awards is to be made only to those inmates who are in work status at the factory which earned the award when the distribution is made.
- Inmate cash awards under this program may not exceed **\$100 per inmate.**

10. **APPROVAL AND DISTRIBUTION OF AWARD.** Upon completing the distribution plan, the Local Distribution Committee will submit the plan to the Warden for approval. The Warden will forward the plan to the respective Regional Director.

Upon Regional Director approval, the plan is then submitted to the Assistant Director, IE&VT, for final approval.

a. Once the Assistant Director, IE&VT makes the final approval, the approved list of individuals and award amounts will be forwarded to the respective local human resource office for processing.

b. The FPI Central Office will bear all costs associated with the Gainsharing Award Plan.

/s/
Kathleen Hawk Sawyer
Director